

Message Text

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C O N F I D E N T I A L KUWAIT 0708

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E.O. 11652: GDS

TAGS: EGEN, KU

SUBJ: KUWAIT HYATT REGENCY HOTEL

REF: 75 KUWAIT 4973

1. REFTEL REPORTED THAT KUWAIT GROUP HAD SIGNED CONTRACT WITH HYATT INTERNATIONAL TO BUILD AND MANAGE LUXURY HOTEL HERE BUT ONLY AFTER PRIME MINISTER MADE IT CLEAR THAT GOK WILLING TO WORK WITH COMPANY DESPITE ITS LARGELY JEWISH OWNERSHIP. KEY FACTOR FOR GOK WAS THAT COMPANY WAS NOT BOYCOTTED. IN CONVERSATIONS WITH LOCAL BUSINESSMEN SINCE REFTEL WAS SENT LAST NOVEMBER, THERE HAS BEEN SOME CRITICISM OF GOK'S ACTION. IN GENERAL CRITICS HAD COMMERCIAL INTEREST IN SEEING HYATT'S PRINCIPAL COMPETITOR, INTERCONTINENTAL, WIN CONTRACT. HOWEVER, THEY CLAIM THAT AT ONE POINT PRESSURE WILL BUILD AND GOK WILL BE FORCED TO RESCIND ITS DECISION TO WORK WITH HYATT.

2. DURING RECEPTION FEBRUARY 8, CHARGE AND EMBOFF DISCUSSED HYATT PROJECT WITH FUAD AL-MATROUK, CHAIRMAN OF KUWAIT HOTELS COMPANY, WHICH 49 PERCENT GOK OWNED. HE EXPLAINED THAT KUWAIT AIRWAYS AND KUWAIT TOURISM AND RECREATION COMPANY WHICH WERE PART OF ORIGINAL CONSORTIUM OF KUWAITI COMPANIES INVOLVED HAVE DROPPED OUT OF PROJECT. ONLY KUWAIT HOTELS COMPANY INVOLVED NOW ON KUWAITI SIDE, AND COMPANY WILL, IN EFFECT, BE ACTING ON BEHALF OF GOK WHICH IS FINANCING HOTEL (AT COST OF \$70,000
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PER ROOM).

3. MATROUK SAID SKIDMORE, OWNINGS AND MERRILL, THE ARCHITECTS FOR THE HOTEL WHICH WILL BE CALLED THE KUWAIT HYATT REGENCY, WERE JUST IN TOWN FOR PRELIMINARY DISCUSSIONS. SOM REPS MET WITH SEVERAL TOP GOK OFFICIALS INCLUDING MINISTER OF FINANCE. WITHOUT GETTING INTO BACKGROUND DESCRIBED IN PARA 1, EMBOFF ASKED MATROUK IF PROJECT WAS ON THE RAILS, AND HE REPLIED AFFIRMATIVELY. HE ALSO CONFIRMED THAT CONTRACT IS WITH HYATT AND HE GAVE NO INDICATION WHATSOEVER THAT GOK AT THIS STATE INTENDS TO WORK WITH ANYONE ELSE.

4. COMMENT: AS FAR AS WE CAN TELL GOK FULLY COMMITTED TO HYATT AND AS INDICATED IN REFTEL OFFICIALS INVOLVED CONSIDERED FACT THAT SOME SENIOR MANAGEMENT OF COMPANY WAS JEWISH AND DECIDED THIS SHOULD NOT STAND IN WAY OF DOING BUSINESS WITH FIRM. WE FIND IT PARTICULARLY SIGNIFICANT THAT FINANCE MINISTER ATEEQI IS APPARENTLY ON BOARD BECAUSE HE IS AMONG MOST SENSITIVE OF SENIOR KUWAITI OFFICIALS TO ARAB-ISRAEL RELATED ISSUES. NEVERTHELESS, IT DOES SEEM POSSIBLE THAT INDIVIDUALS WHO FOR ONE REASON OR ANOTHER ARE UNHAPPY OVER HYATT CHOICE MAY ATTEMPT TO EMBARRASS GOK OVER ITS SELECTION OF JYATT TO BUILD AND MANAGE WHAT WILL BECOME THE SHOWCASE HOTEL IN KUWAIT.
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